ROYAL CARIBBEAN CRUISES LTD
Form 424B5
June 07, 2006

Table of Contents

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
Registration No. 333-115090

Subject to Completion, Dated June 7, 2006

PROSPECTUS SUPPLEMENT
(To prospectus dated May 23, 2005)

$700,000,000
Royal Caribbean Cruises Ltd.

% Senior Notes due 2013
% Senior Notes due 2016

Royal Caribbean Cruises Ltd. will issue $ principal amount of its % Senior Notes due 2013 and $ principal amount of its % Senior Notes due 2016. The % Senior Notes due 2013 will mature on June 15, 2013 and the % Senior Notes due 2016 will mature on June 15, 2016. Interest on the Senior Notes will be payable semi-annually on December 15 and June 15 of each year, commencing December 15, 2006. The Senior Notes are not redeemable prior to maturity and do not provide for any sinking fund. The Senior Notes will be separately represented by one or more global securities registered in the name of the nominee of The Depository Trust Company (DTC). Beneficial interests in the global securities will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Except as described herein, Senior Notes in definitive form will not be issued. The Senior Notes will be issued only in denominations of $1,000 and integral multiples thereof. The Senior Notes will constitute unsecured and unsubordinated indebtedness of Royal Caribbean Cruises Ltd. and will rank on parity with our other unsecured and unsubordinated indebtedness. See Description of Senior Notes.

Investing in the Senior Notes involves risks that are described in Risk Factors beginning on page S-7 of this prospectus supplement.

	Per % Senior Note due 2013	Total	Per % Senior Note due 2016	Total
Public offering price(1)	%	$	%	$
Underwriting discount	%	$	%	$
Proceeds, before expenses, to Royal Caribbean Cruises Ltd	%	$	%	$

(1) Plus accrued interest from June , 2006, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Senior Notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about June , 2006.

Joint Book-Running Managers

Goldman, Sachs & Co.

Barclays Capital

BNP PARIBAS

Morgan Stanley

RBS Greenwich Capital

Co-Managers

DnB NOR Markets JPMorgan Morgan Keegan & Company, Inc. Scotia Capital

June , 2006

TABLE OF CONTENTS

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission utilizing a shelf registration process. This prospectus supplement describes the specific details regarding this offering of Senior Notes. The accompanying prospectus provides more general information. To the extent information in this prospectus supplement is inconsistent with the accompanying prospectus or any of the earlier-dated documents incorporated by reference into this prospectus supplement and the accompanying prospectus, you should rely on this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus together with the additional information about us described under Incorporation of Documents by Reference and Where You Can Find More Information.

Table of Contents

THE COMPANY

As used in this prospectus supplement, the terms Royal Caribbean, we, our and us refer to Royal Caribbean Cruises Ltd., the term Celebrity refers to Celebrity Cruise Lines Inc. and the terms Royal Caribbean International and Celebrity Cruises refer to our two cruise brands. In accordance with cruise industry practice, the term berths represents double occupancy capacity per cabin even though many cabins can accommodate three or more passengers. Except as otherwise indicated, the source of all industry data is the trade group Cruise Lines International Association.

Royal Caribbean Cruises Ltd.

Royal Caribbean Cruises Ltd. is the world s second largest cruise company. We operate 29 cruise ships and more than 63,000 berths as of May 31, 2006 under two brands, Royal Caribbean International and Celebrity Cruises. Our ships operate worldwide, calling on approximately 200 destinations.

We earned income before cumulative effect of a change in accounting principle of $663.5 million in 2005 on $4.9 billion in revenues, compared to 2004 income of $474.7 million on $4.6 billion in revenues. We generated operating cash flow of $1.1 billion in each of 2005 and 2004.

Royal Caribbean International

Royal Caribbean International operates 20 cruise ships with approximately 48,000 berths as of May 31, 2006, offering various cruise itineraries that range from two to 18 nights. In May 2006, Royal Caribbean International inaugurated the largest cruise ship in the world, *Freedom of the Seas*, with more than 3,600 berths.

Royal Caribbean International serves the contemporary and premium segments of the cruise vacation industry. The contemporary segment is served by cruises that are generally seven nights or shorter and feature a casual ambiance. The premium segment is served by cruises that are generally seven to 14 nights and appeal to the more experienced passenger who is usually more affluent.

Royal Caribbean International s strategy is to attract an array of vacationing consumers in the contemporary segment by providing a wide variety of itineraries and cruise lengths with multiple innovative options for onboard dining, entertainment and other onboard activities. Royal Caribbean International offers a wide array of onboard activities, services and amenities, including swimming pools, sun decks, beauty salons, exercise and spa facilities, ice skating rinks, in-line skating, basketball courts, rock climbing walls, bungee jumping trampolines, miniature golf courses, gaming facilities, lounges, bars, Las Vegas-style entertainment, cinemas and Royal Promenades which are boulevards with shopping, dining and entertainment venues. Additionally, Royal Caribbean International offers a variety of shore excursions at each port of call.

We believe that the variety and quality of Royal Caribbean International s product offerings represent excellent value to consumers, especially to couples and families traveling with children. Because of the brand s extensive product offerings, we believe Royal Caribbean International is well positioned to attract new consumers to the cruise vacation industry and to continue to bring past passengers back for their next vacation. While the brand is positioned at the upper end of the contemporary segment, we believe that Royal Caribbean International s quality enables it to attract consumers from the premium segment as well, thereby achieving one of the broadest market coverage of any of the major brands in the cruise vacation industry.

Table of Contents

Celebrity Cruises

Celebrity Cruises operates nine cruise ships with approximately 15,100 berths as of May 31, 2006, and charters one ship to Island Cruises, our joint venture with First Choice Holidays PLC. The brand offers various cruise itineraries that range from two to 16 nights.

Celebrity Cruises primarily serves the premium segment of the cruise vacation industry. Celebrity Cruises attracts experienced cruise passengers who appreciate and want the unique experience the brand offers. Celebrity Cruises delivers a high quality experience and good value with ships that offer extensive and luxurious spa facilities, fine dining, personalized service, unique entertainment and a high staff-to-passenger ratio. These are the hallmarks of the premium cruise vacation segment. Celebrity Cruises provides a variety of itineraries and cruise lengths and has a high proportion of its fleet deployment in seasonal markets (such as Alaska, Bermuda, Europe, Hawaii, the Panama Canal and South America). Celebrity Cruises includes in its breadth of product offerings itineraries to the Galapagos Islands, and recently inaugurated excursions to Machu Picchu in Peru. To further enhance our passengers experiences, Celebrity Cruises offers a variety of shore excursions at each port of call.

Strategy

The key elements of our strategy are as follows:

Improve the awareness and market penetration of both our Royal Caribbean International and Celebrity Cruises brands.

We continue to broaden the recognition of both the Royal Caribbean International brand and the Celebrity Cruises brand among consumers. Royal Caribbean International is an established brand in the contemporary and premium segments of the cruise vacation industry. We believe we are positioning Celebrity Cruises brand as the best choice in the premium segment of the cruise vacation industry. Each of our brands has a distinct identity and marketing focus but utilizes shared infrastructure resources.

Continue to expand our fleet with state-of-the-art cruise ships.

Based on the ships currently on order, our capacity is expected to increase to approximately 81,500 berths by December 31, 2009. Since our first fleet expansion program beginning in 1988, we have continued to increase our average ship size and number of available berths, which has enabled us to achieve certain economies of scale. Larger ships allow us to carry more passengers without a corresponding increase in certain operating expenses.

Royal Caribbean International. Founded in 1968, Royal Caribbean International was the first cruise line to design cruise ships especially for warm water year-round cruising. Royal Caribbean International operated a modern fleet in the 1970s and early 1980s, establishing a reputation for high quality. Between 1988 and 1992, the brand tripled its capacity by embarking on its first major capital expansion program and taking delivery of three Sovereign-class ships. From 1995 through 1998, Royal Caribbean International completed its second capital expansion program by taking delivery of six Vision-class ships, ranging in size from approximately 1,800 to 2,000 berths. During this same period, Royal Caribbean International sold four of its older ships because their age and design were no longer consistent with its image and marketing strategy.

Royal Caribbean International began its third capital expansion program with orders for five Voyager-class ships and four Radiance-class ships. The Voyager-class ships were placed in service from 1999 through 2003. Each ship is approximately 140,000 gross tons with approximately 3,100 berths. This class of ships is designed to provide more diverse vacation options for families and for those seeking active sports and entertainment alternatives during their vacation experience. Each Voyager-class ship has a variety of unique features, including the cruise vacation industry s first horizontal atrium, the Royal Promenade (which is four decks tall, longer than a football field and provides entertainment, shopping and dining experiences), recreational activities such as ice skating, in-line skating, rock climbing, miniature golf and full court basketball, enhanced staterooms, expanded dining venues and a variety of intimate spaces.

The brand introduced its four Radiance-class ships from 2001 through 2004. The Radiance-class ships (approximately 90,000 gross tons each) are a progression from the brand s Vision-class ships and have approximately 2,100 berths each. The Radiance-class ships incorporate many of the dining and entertainment options of the Voyager-class ships, as well as offer a wide array of unique features. These features include alternative dining venues, panoramic glass elevators facing outward to the sea, floor to ceiling glass windows offering spectacular sea views and a billiards club featuring gyroscopic billiard tables.

Royal Caribbean International launched the 3,600 berth *Freedom of the Seas* in May 2006, the first of three planned Freedom-class ships, and the largest cruise ship in the world. *Freedom of the Seas* offers several new experiences to cruising including a surf machine, an interactive water park called the H_2O Zone[tm] and a dedicated sports pool. Building upon the innovations of the Voyager-class and Freedom-class of ships, Royal Caribbean International will introduce a new class of ship in 2009. This class of ship will have capacity for approximately 5,400 guests, which is 50% larger than the capacity on the Freedom class ships. At 1,180 feet long, 154 feet wide and 240 feet high, this new class of ship will give Royal Caribbean ample room to create memorable new icons and amenities to heighten guests cruise experience. We have an option to purchase an additional ship in this class, exercisable through March 2007.

Celebrity Cruises. Celebrity Cruises was founded in 1990 and operated three ships between 1992 and 1995. Between 1995 and 1997, Celebrity Cruises undertook its first capital expansion program, adding three Century-class ships which range in size from approximately 1,750 to 1,850 berths and disposing of one of its original three ships. Celebrity Cruises completed its second capital expansion program with the delivery of four Millennium-class ships from 2000 through 2002. Each Millennium-class ship has approximately 2,050 berths and is approximately 90,000 gross tons.

The Millennium-class ships elevated the brand s position in the premium segment of the marketplace. This class of ships, which is a progression from the Century-class ships, builds on the brand s primary strengths, including gourmet dining, luxurious spa facilities, and spacious staterooms and suites complete with balconies. On the Millennium-class ships, an entire deck is dedicated to health, fitness and the rejuvenating powers of water. Celebrity Cruises spas are among the most luxurious facilities afloat and offer a variety of features, including a large hydropool with neck massage and body jets and luxurious services including acupuncture at sea. To further enhance the onboard experience, Celebrity Cruises offers a more intimate setting in its piano, champagne, and martini bars and lounges.

In 2004, Celebrity Cruises introduced *Celebrity Xpedition*, a 100-berth ship that offers a more intimate, smaller ship experience with sailings to the Galapagos Islands.

To continue its product evolution, Celebrity Cruises entered into contracts with a shipyard to build two Solstice-class ships, *Celebrity Solstice* and *Celebrity Equinox*. The Solstice-class ships will be approximately 118,000 gross tons each with approximately 2,850 berths, incorporating many features typically associated with luxury cruising. Approximately 85% of the ships staterooms will be outside and veranda staterooms. *Celebrity Solstice* and *Celebrity Equinox* are scheduled for delivery in the fourth quarter of 2008 and the third quarter of 2009, respectively.

Continue to improve and expand the quality and innovation of our fleet.

We place a strong focus on product innovation, not only for stimulating repeat business, but also for driving new demand for our products. For example, in 2005, *Enchantment of the Seas* underwent a lengthening with a new 73-foot midsection, which features 151 additional staterooms, suspension bridges, an overhanging bar offering spectacular panoramic views and bungee trampolines. For the increasing number of young cruise passengers, *Enchantment of the Seas* introduced a new interactive splash pad with water jets on the floor, which transforms into a fiber-optic and water show at night.

As described above, Royal Caribbean International launched *Freedom of the Seas* in May 2006, the first of three planned Freedom-class ships. *Freedom of the Seas* is the largest cruise ship in the world with a wide range of new innovations and amenities within the cruise industry. Building upon the innovations of the Voyager-class and Freedom-class of ships, Royal Caribbean International will similarly introduce a new class of ships in 2009 in order to continue to improve and expand our fleet.

In 2006, Celebrity Cruises revitalized *Century,* incorporating many of the Millennium-class standards while adding 314 new verandas, 18 additional suites and staterooms, a new specialty restaurant and a series of the tastes of luxury. In 2008, Celebrity Cruises will introduce the Solstice-class, a new wide-body construction class of ships, with large staterooms averaging 215 square feet.

Expand into new markets and itineraries.

Our ships operate worldwide with a selection of itineraries that call on approximately 200 ports. New ships allow us to expand into new destinations, itineraries and markets. Both brands have expanded their mix of itineraries in Europe. The brands are now offering a wide variety of cruise tours from Alaska, the Canadian Rockies and Europe in order to provide vacationers with a broad range of product options.

Further expand our international passenger sourcing.

We sell and market the Royal Caribbean International and Celebrity Cruises brands to passengers outside of North America through our offices in the United States, United Kingdom, Germany, Norway, Italy and Spain. We further extend our reach with a network of 42 independent international representatives located throughout the world. We market our product in these countries by focusing on innovation and by responding to cultural characteristics of our global passengers. International passengers have grown from approximately 213,000 in 1998 to approximately 573,000 in 2005.

During the summer of 2005, Royal Caribbean International dedicated *Legend of the Seas* to the United Kingdom passenger market, offering itineraries to the Mediterranean sailing directly from Southampton, United Kingdom and offering onboard products designed to appeal to passengers from the United Kingdom. In 2006, Royal Caribbean International introduced the first Voyager-class ship, *Voyager of the Seas*, to Europe, offering Mediterranean sailings from Barcelona, Spain.

Utilize sophisticated revenue management systems.

We believe we have one of the most advanced revenue management systems in the industry, which enables us to make more advantageous decisions about pricing, inventory and marketing actions. We are continuously working to improve these systems and tools through increased forecasting capabilities, ongoing improvements to our understanding of price/demand relationships, and greater automation of the decision process.

Further improve our technological capabilities.

We continue to invest in information technology to support and improve our corporate infrastructure and passenger and travel trade relations. In 2005, we launched a new workforce management system to schedule and manage contracts for our shipboard employees worldwide and automated the transmission of passenger and crew information to all relevant government agencies.

Table of Contents

To serve the needs of the travel agency community, we operate the website *cruisingpower.com*, which enables fast access to online tools and is the ultimate shared resource center for Royal Caribbean International and Celebrity Cruises information. These online tools include CruiseMatch® Online, an Internet browser-based booking system, CruisePay℠, an online payment service, Insight, a booking summary report and Cruise Writer℠, which provides the capability to customize brochures and flyers.

Maintain strong relationships with travel agencies, the principal industry distribution channel, while offering direct access for consumers.

Travel agencies generate the majority of the bookings for our ships and we are committed to further developing and strengthening this very important distribution channel. Royal Caribbean International and Celebrity Cruises each have a brand-dedicated sales force for the United States. Each sales team focuses on the unique qualities of each brand and provides support to the travel agency community.

Corporate Information

Royal Caribbean International was founded in 1968. The current parent corporation, Royal Caribbean Cruises Ltd., was incorporated on July 23, 1985 in the Republic of Liberia under the Business Corporation Act of Liberia. Our headquarters are located at 1050 Caribbean Way, Miami, Florida 33132. Our telephone number at that address is (305) 539-6000. We maintain internet websites at *www.royalcaribbean.com* and *www.celebrity.com.* Information for our investors is available at *www.rclinvestor.com.* The information on our websites is not incorporated into this prospectus supplement.

THE OFFERING

Maturity	The % Senior Notes due 2013 will mature on June 15, 2013. The % Senior Notes due 2016 will mature on June 15, 2016.
Interest rate	The % Senior Notes due 2013 will bear interest at the rate of % per annum. The % Senior Notes due 2016 will bear interest at the rate of % per annum.
Redemption	The Senior Notes are not redeemable prior to maturity except as described under Description of Debt Securities Tax Related Considerations in the accompanying prospectus.
Sinking fund	None.
Ranking	The Senior Notes will be unsecured and unsubordinated indebtedness of Royal Caribbean Cruises Ltd. and will rank on a parity with our other unsecured and unsubordinated indebtedness. The Senior Notes will not be guaranteed by any of our subsidiaries and, accordingly, the Senior Notes will be effectively subordinated to the claims of our subsidiaries creditors, including trade creditors. The Senior Notes do not limit the ability of our subsidiaries to incur indebtedness other than Secured Debt as described under Description of Senior Notes Restrictions on Secured Debt. As of March 31, 2006, our subsidiaries had indebtedness of $291.1 million (excluding operating leases and intercompany indebtedness).
DTC eligibility	The Senior Notes will be issued in book-entry form and will be represented by permanent global certificates deposited with a custodian for and registered in the name of a nominee of DTC in New York, New York. Beneficial interests in any such securities will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated securities, except in limited circumstances. See Description of Senior Notes Book-Entry System for the Senior Notes.

Table of Contents

RISK FACTORS

You should carefully consider the specific risk factors set forth below as well as the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding to invest in the Senior Notes. This prospectus supplement and the accompanying prospectus contain or incorporate statements that constitute forward-looking statements regarding, among other matters, our intent, belief or current expectations about our business. These forward-looking statements are subject to risks, uncertainties and assumptions. See Forward-Looking Statements.

We may lose business to competitors throughout the vacation market.

We operate in the vacation market and cruising is one of many alternatives for people choosing a vacation. We therefore risk losing business not only to other cruise lines, but also to other vacation operators which provide other leisure options including hotels, resorts and package holidays and tours.

We face significant competition from other cruise lines, both on the basis of cruise pricing and also in terms of the nature of ships and services we offer to cruise passengers. Our principal competitors within the cruise vacation industry include Carnival Corporation & plc, which owns, among others, Carnival Cruise Lines, Princess Cruises, Holland America Line, Costa Cruises, P&O Cruises, and Cunard Line; Star Cruises, which owns, among others, Star Cruises and Norwegian Cruise Line; Mediterranean Shipping Company, which owns MSC Cruises; and Disney Cruise Line.

In the event that we do not compete effectively with other vacation alternatives and cruise companies, our results of operations and financial condition could be adversely affected.

Overcapacity within the cruise vacation industry, a reduction in demand or geo-political and economic uncertainties could have a negative impact on revenues, result in impairment of assets and may adversely affect our profitability.

Cruising capacity has grown in recent years and we expect it to increase further as the major cruise vacation companies introduce new ships. Demand for cruises has been and is expected to continue to be dependent on the strength of the economies in the countries in which we market our products, the public s attitude towards the safety of travel and the geo-political climate. Economic or political changes may reduce demand for cruise vacations and may lead to reduced occupancy and/or price discounting which, in turn, could adversely affect our results of operations and financial condition and could result in impairment of our asset values.

Fears of terrorist attacks, war and other hostilities and the spread of contagious diseases could have a negative impact on our profitability.

Events such as terrorist attacks, war and other hostilities, the spread of contagious diseases and the resulting political instability, travel restrictions and concerns over safety, health and security aspects of traveling have had, and could have in the future, a significant adverse impact on demand and pricing in the travel and vacation industry. These events could also impact our ability to source qualified crew from throughout the world at competitive costs and, therefore, increase our shipboard employee costs.

Incidents or adverse publicity concerning the cruise vacation industry or unusual weather conditions could affect our reputation and harm our future sales and profitability.

The operation of cruise ships involves the risk of accidents, illnesses and other incidents which may bring into question passenger safety, health, security and vacation satisfaction and thereby adversely affect future industry performance. Incidents involving cruise ships, adverse media publicity concerning the cruise vacation industry or unusual weather patterns or natural disasters, such as hurricanes and earthquakes, could impact demand and consequently have an adverse impact on our profitability.

Environmental, health and safety, financial responsibility and other maritime regulations could affect operations and increase operating costs.

The United States and various state and foreign government or regulatory agencies have enacted or are considering new environmental regulations or policies that could adversely impact the cruise vacation industry. Some environmental groups have lobbied for more stringent regulation of cruise ships and have generated negative publicity about the cruise vacation industry and its environmental impact. In addition, we are subject to various international, national, state and local laws, regulations and treaties that govern, among other things, safety standards applicable to our ships, health and sanitary standards applicable to our passengers, security standards on board our ships and at the ship/port interface areas, and financial responsibilities to our passengers. These issues are, and we believe will continue to be, an area of focus by the relevant authorities throughout the world. This could result in the enactment of more stringent regulation of cruise ships that would subject us to increasing compliance costs in the future.

In 2005, the United States issued a proposed Western Hemisphere Travel Initiative which would require United States citizens to have a passport or other accepted identity document to travel to or from certain countries or areas that were previously exempt, such as Canada, Mexico, Central and South America and the Caribbean. The proposal is currently expected to be implemented as of December 31, 2006 for all United States citizens traveling to or from these destinations by air and sea and as of December 31, 2007 for all travel by land border crossings. Many of our United States cruise passengers visiting these destinations currently do not have passports, and it is therefore likely that these regulations will have a negative impact on our bookings when they are implemented.

We may not be able to obtain financing on terms that are favorable or consistent with our expectations.

To fund our capital expenditures and scheduled debt payments, we rely on a combination of cash flows provided by operations, drawdowns under our available credit facility, the incurrence of additional indebtedness and the sales of equity or debt securities in private or public securities markets. Our credit ratings impact our ability to obtain financing in financial markets and the terms of the financing. Any lowering of our credit ratings may have adverse consequences on our ability to access the financial markets and/or on our cost of financings. In addition, interest rates and our ability to obtain financing are dependent on many economic and political factors beyond our control. Accordingly, we cannot be sure that our cash flows from operations and additional financings will be available in accordance with our expectations.

Conducting business internationally may result in increased costs and other risks.

We operate our business internationally and plan to continue to develop our international presence. Operating internationally exposes us to a number of risks. Examples include political risks and risk of increases in duties and taxes as well as changes in laws and policies affecting cruising, vacation or maritime businesses, or governing the operations of foreign-based companies. Additional risks include currency fluctuations, interest rate movements, imposition of trade barriers and restrictions on repatriation of earnings. If we are unable to address these risks adequately, our results of operations and financial condition could be adversely affected.

We have ship construction contracts which are denominated in euros. While we have entered into euro denominated forward contracts to manage a portion of the currency risk associated with these ship construction contracts, we are exposed to fluctuations in the euro exchange rate for the portion of the ship construction contracts that has not been hedged. If the shipyard is unable to perform under the related ship construction contract, any foreign currency hedges that were entered into to manage the currency risk would need to be terminated. Termination of these contracts could result in a significant loss.

Ship construction delays or mechanical faults may result in cancellation of cruises and unscheduled drydocks and repairs.

We depend on shipyards to construct and deliver our cruise ships on a timely basis and in good working order. The sophisticated nature of building a ship involves risks. Delays or mechanical faults in ship construction have in the past and may in the future result in delays or cancellation of cruises or necessitate unscheduled drydocks and repairs of ships. Shipyard insolvency and other industrial actions could also delay or indefinitely postpone the timely delivery of new ships. We have experienced mechanical problems with the pod propulsion units on certain ships and there can be no assurance that we will not experience such problems in the future. These events together with any related adverse publicity could, to the extent they are not covered by contractual provisions or insurances, adversely affect our financial results.

Our operating costs and taxes could increase due to market forces and economic or political factors beyond our control.

Our operating costs, including fuel, food, payroll, insurance and security costs, are subject to increases due to market forces and economic or political instability or other factors beyond our control. Increases in these operating costs could adversely affect our profitability. In addition, United States state and local authorities as well as foreign authorities periodically consider increases in taxes. For instance, initiatives are currently pending in Alaska, which, if adopted, would impose taxes and other costs on us and our cruise passengers. The implementation of these and other taxes could also cause an increase in our costs.

Unavailability of ports of call may adversely affect our profits.

We believe that port destinations are a major reason why passengers choose to go on a particular cruise or on a cruise vacation. The availability of ports is affected by a number of factors, including, but not limited to, existing capacity constraints, security concerns, adverse weather conditions and natural disasters, financial limitations on port development, local governmental regulations and local community concerns about port development and other adverse impacts on their communities from additional tourists. Any limitations on the availability of our ports of call could adversely affect our profits.

A change in our tax status under the United States Internal Revenue Code may have adverse effects on our income.

We and a number of our subsidiaries are foreign corporations that derive income from a United States trade or business and/or from sources within the United States. Drinker Biddle & Reath LLP, our United States tax counsel, has delivered to us an opinion, based on certain representations and assumptions set forth in it, to the effect that this income, to the extent derived from or incidental to the international operation of a ship or ships, is exempt from United States income tax pursuant to Section 883 of the Internal Revenue Code. We believe that most of our income (including that of our subsidiaries) is derived from or incidental to the international operation of a ship or ships.

In 2005, final regulations under Section 883 became effective, which narrowed somewhat the scope of activities that are considered by the Internal Revenue Service to be incidental to the international operation of ships. To the extent the income from non-incidental activities is earned from sources within the United States, that income will be subject to United States taxation; but the determination of the precise amount of such United States source income involves some uncertainties. The tax impact of these new regulations reduced our net income for the year ended

Table of Contents

December 31, 2005 by approximately $14 million and we anticipate tax impacts in subsequent years on an ongoing basis.

It should also be noted that the provisions of Section 883 are subject to change at any time by legislation. Moreover, changes could occur in the future with respect to the identity, residence or holdings of our direct or indirect shareholders that could affect our eligibility for the Section 883 exemption. Accordingly, there can be no assurance that we will continue to be exempt from United States income tax on United States source shipping income in the future. If we were not entitled to the benefit of Section 883, we and our subsidiaries would be subject to United States taxation on a portion of the income derived from or incidental to the international operation of our ships, which would reduce our net income.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference include forward-looking statements under the Private Securities Litigation Reform Act of 1995. Words such as expect, anticipate, goal, project, plan, believe, seek and similar expressions are intended to identify these forward-looking statements. Forward-looking statements do not guarantee future performance and may involve risks, uncertainties and other factors which could cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in those forward-looking statements. Examples of these risks, uncertainties and other factors include, but are not limited to those discussed under Risk Factors, as well as the following:

general economic and business conditions,

vacation industry competition, including cruise vacation industry competition,

changes in vacation industry capacity, including overcapacity in the cruise vacation industry,

the impact of tax laws and regulations affecting our business or our principal shareholders,

the impact of changes in other laws and regulations affecting our business,

the impact of pending or threatened litigation,

the delivery of scheduled new ships,

emergency ship repairs,

negative incidents involving cruise ships including those involving the health and safety of passengers,

reduced consumer demand for cruises as a result of any number of reasons, including geo-political and economic uncertainties and the unavailability of air service,

fears of terrorists attacks, armed conflict and the spread of contagious diseases and the resulting concerns over safety and security aspects of traveling,

our ability to obtain financing on terms that are favorable or consistent with our expectations,

changes in our stock price or principal shareholders,

our current intention to redeem our zero coupon convertible notes due 2021,

the impact of changes in operating and financing costs, including changes in foreign currency, interest rates, fuel, food, payroll, insurance and security costs,

the implementation of regulations in the United States requiring United States citizens to obtain passports for travel to additional foreign destinations, and

weather.

The above examples are not exhaustive and new risks emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

USE OF PROCEEDS

The net proceeds from the sale of the Senior Notes offered hereby are estimated to be $695.0 million. We intend to use the net proceeds for general corporate purposes, including:

- funding the redemption of our Liquid Yield Option^{tm} Notes (LYONs) due 2021, which have a yield to maturity of 4.875% and will have an accreted principal amount outstanding of approximately $544.0 million on June 19, 2006, the anticipated redemption date, and

- funding the repurchase of our common stock in order to offset the dilutive impact of the anticipated issuance of shares upon conversion of our outstanding zero coupon convertible notes (Zeros) due 2021, which have a yield to maturity of 4.75% and which had an accreted principal amount outstanding of approximately $129.1 million as of June 5, 2006, and which we intend to call for redemption prior to the end of 2006.

Although we currently intend to call our outstanding Zeros, our decision to do so will be affected by market conditions at the time and we cannot assure you that we will do so. See Forward-Looking Statements and Capitalization.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for each of the periods presented. In calculating this ratio, we take earnings to include net income plus fixed charges and exclude capitalized interest. Fixed charges include gross interest expense, amortization of deferred financing expenses and an amount equivalent to interest included in rental charges. We have included actual interest charges for the *Brilliance of the Seas* operating lease and, for all other rentals, we have assumed that one-third of rental expense is representative of the interest factor.

	Three Months Ended March 31,		Year Ended December 31,				
	2006	**2005**	**2005**	**2004**	**2003**	**2002**	**2001**
Ratio of earnings to fixed charges	2.6	2.6	3.1	2.4	1.9	2.1	1.8

Table of Contents

CAPITALIZATION

We have called the redemption of all of our Liquid Yield Option[tm] Notes (LYONs) due 2021 and expect to settle the redemption on June 19, 2006. In addition, we have previously announced that, prior to the end of 2006, and subject to market conditions, we expect to redeem all of our zero coupon convertible notes (Zeros) due 2021. Finally, we have also previously announced that we have initiated a $165.0 million stock buyback program in order to offset the dilutive impact of the anticipated issuance of shares upon conversion of the Zeros.

Holders of our LYONs currently have the ability to convert their LYONs into shares of our common stock at a conversion price approximately equal to $42. As of June 5, 2006, the last reported sale price of our common stock on the New York Stock Exchange was $38.75. Based on current trading prices for our common stock, we expect that holders of LYONs will tender their LYONs for redemption, and not elect to convert their LYONs into shares of common stock. However, the decision whether to convert outstanding LYONs into shares of common stock will be made by individual holders of LYONs, and we cannot predict what decisions will ultimately be made by individual holders.

Holders of our Zeros currently have the ability to convert their Zeros into shares of our common stock at a conversion price approximately equal to $32. Based on current trading prices for our common stock, we expect that upon calling the redemption of the Zeros, holders of Zeros would elect to convert their Zeros into shares of common stock. Our decision to call the Zeros is subject to our ongoing assessment of market conditions and we cannot assure you that we will execute this transaction in the timeframe currently contemplated, or at all. In addition, the decision whether to convert outstanding Zeros into shares of common stock would be made by individual holders of Zeros, and we cannot predict what decisions will ultimately be made by individual holders.

Because we expect to settle the LYONs redemption on June 19, 2006, after the closing of this offering, until the LYONs redemption settlement date we will have debt outstanding under both the Senior Notes and the LYONs. In addition, because we have not yet called the Zeros for redemption, we will have debt outstanding under both the Senior Notes and the Zeros until the settlement date, if any, for the redemption of the Zeros.

The following table sets forth our consolidated capitalization:

(1) as of March 31, 2006,

(2) as adjusted to give effect to:

- the issuance of the Senior Notes in this offering;
- the application of $544.0 million of the net proceeds of this offering to fund the redemption of the outstanding LYONs (which assumes that no holder of LYONs elects to convert LYONs into shares of common stock); and
- the application of $151.0 million of the net proceeds of this offering to fund the repurchase of an assumed 4.1 million shares of our common stock pursuant to the buyback program described above (at a cost of $165.0 million, and funding the $14.0 million difference with cash on hand); and

(3) as further adjusted to give effect to:

- our expected call to redeem the outstanding Zeros, and the expected conversion of the Zeros, prior to redemption, into approximately 4.1 million shares of common stock (which assumes that all holders of Zeros elect to convert Zeros into shares of common stock).

See Forward-Looking Statements and Use of Proceeds.

Table of Contents

	March 31, 2006		
	Actual	As adjusted for this offering of Senior Notes, the redemption of the LYONs and the execution of the stock buyback program	As further adjusted for the call to redeem the Zeros and the conversion of the Zeros into common stock(1)
	(Dollars in thousands) (Unaudited)		
Cash and cash equivalents	$ 271,977	$ 257,977(2)	$ 257,977(2)
Current portion of long-term debt	$ 595,653	$ 595,653	$ 595,653
Long-term debt:			
Liquid Yield Option[tm] Notes (LYONs) due 2021	$ 538,312	$	$
Zero coupon convertible notes due 2021(1)	127,987	127,987	
Other long-term debt(3)	2,926,473	2,926,473	2,926,473
Senior Notes offered hereby:			
% Senior Notes due 2013 offered hereby			
% Senior Notes due 2016 offered hereby			
Total Senior Notes offered hereby		700,000	700,000
Total long-term debt	$ 3,592,772	$ 3,754,460	$ 3,626,473
Shareholders equity:			
Common stock ($0.01 par value, 500,000,000 shares authorized; 217,601,358 shares issued actual and as adjusted; 221,701,358 shares as further adjusted)	$ 2,176	$ 2,176	$ 2,217
Paid-in capital	2,736,520	2,736,520	2,864,466
Retained earnings	3,220,034	3,220,034	3,219,611
Accumulated other comprehensive loss	(5,922)	(5,922)	(5,922)
Treasury stock (6,371,567 shares at cost actual; 10,471,567 shares at cost as adjusted and as further adjusted)(1)	(258,099)	(423,099)	(423,099)

Total shareholders equity	$	5,694,709	$	5,529,709	$	5,657,273
Total long-term debt and shareholders equity	$	9,287,481	$	9,284,169	$	9,283,746

(1) If we ultimately do not call the Zeros for redemption, we will have debt outstanding under both the Senior Notes and the Zeros indefinitely, although our shareholders equity will nevertheless be reduced by the cost of the shares of common stock we repurchase pursuant to the stock buyback program, which we have already initiated.

(2) We have assumed the use of $544.0 million of cash to redeem the LYONs, which will be the approximate aggregate accreted principal amount as of June 19, 2006, the expected settlement date of the redemption, and the use of $165.0 million of cash to fund the stock buyback program.

(3) In April 2006, we entered into and drew in full a $570.0 million unsecured term loan amortizing through 2013. The proceeds of this loan were used towards the purchase of *Freedom of the Seas*, which was delivered in April 2006.

Table of Contents

SELECTED FINANCIAL AND OTHER DATA

The selected financial data set forth below as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 is derived from our audited consolidated financial statements. The selected financial data set forth below as of and for the three months ended March 31, 2006 and 2005 is derived from our unaudited consolidated financial statements and, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of such data. The results for any interim period may not be indicative of the results to be expected for a full fiscal year. The passenger data and the other data set forth below is unaudited.

The data set forth below should be read in conjunction with our consolidated financial statements and the related notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2005 and our Quarterly Report on Form 10-Q for the quarter ending March 31, 2006, both of which have been filed with the Securities and Exchange Commission and are incorporated herein by reference.

	Three Months Ended March 31,		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(Dollars in thousands, except per share data)						
perating ata:							
evenues	$ 1,146,536	$ 1,168,077	$ 4,903,174	$ 4,555,375	$ 3,784,249	$ 3,434,347	$ 3,145,250
xpenses:							
Operating	730,134	705,607	2,994,232	2,819,383	2,381,035	2,113,217	1,934,391
Marketing, selling and administrative	173,192	161,530	635,308	588,267	514,334	431,055	454,080
Depreciation and amortization	102,159	99,762	402,069	394,136	362,695	339,100	301,174
perating ncome	141,051	201,178	871,565	753,589	526,185	550,975	455,605
nterest ncome	1,576	2,447	9,129	9,208	4,519	12,413	24,544
nterest xpense(1)	(57,663)	(75,289)	(269,750)	(309,977)	(268,398)	(266,842)	(253,207
ther ncome expense)	34,535	8,782	52,521	21,871	18,358	54,738	27,515
ncome efore umulative ffect f a change n ccounting rinciple	119,499	137,118	663,465	474,691	280,664	351,284	254,457

umulative ffect f a change n ccounting rinciple				52,491		52,491								
let income	$	119,499	$	189,609	$	715,956	$	474,691	$	280,664	$	351,284	$	254,457
er share ata:														
asic arnings per hare:														
Income before cumulative effect of a change in accounting principle	$	0.57	$	0.68	$	3.22	$	2.39	$	1.45	$	1.82	$	1.32
Cumulative effect of a change in accounting principle	$		$	0.26	$	0.25	$		$		$		$	
Net income	$	0.57	$	0.94	$	3.47	$	2.39	$	1.45	$	1.82	$	1.32
Weighted average shares		211,372,047		201,619,329		206,217,065		198,945,782		194,074,245		192,484,999		192,231,377

Table of Contents

	Three Months Ended March 31,		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(Dollars in thousands, except per share data)						
ed ngs hare:							
me re ulative ct of a nge in unting ciple	$ 0.55	$ 0.64	$ 3.03	$ 2.26	$ 1.42	$ 1.76	$ 1
ulative ct of a nge in unting ciple	$	$ 0.22	$ 0.22	$	$	$	$
ncome	$ 0.55	$ 0.86	$ 3.26	$ 2.26	$ 1.42	$ 1.76	$ 1
ghted age es and ntially ve es	230,695,162	236,209,394	234,714,203	234,579,629	211,174,932	209,565,319	202,004,3
mon ends	$ 0.15	$ 0.13	$ 0.56	$ 0.52	$ 0.52	$ 0.52	$ 0
enger							
engers ed	875,051	860,014	3,476,287	3,405,227	2,990,607	2,768,475	2,438,8
pancy entage(2)	105.1%	105.7%	106.6%	105.7%	103.2%	104.5%	10
hted age s(3)	59,574	60,626	60,551	60,035	54,305	48,491	42,3
enger e 4)	5,574,349	5,772,957	23,178,560	22,661,965	20,064,702	18,112,782	15,341,5
able enger	5,303,570	5,462,012	21,733,724	21,439,288	19,439,238	17,334,204	15,067,6

e
5)

nce t data:							
erty ment,	$ 10,311,058	$ 10,172,558	$ 10,276,948	$ 10,193,443	$ 9,943,495	$ 9,276,484	$ 8,605,4
assets	11,551,727	11,600,111	11,255,771	11,964,084	11,322,742	10,538,531	10,368,7
debt	4,188,425	5,124,936	4,154,775	5,731,944	5,835,804	5,444,838	5,646,1
eholders y	5,694,709	4,898,490	5,554,465	4,804,520	4,262,897	4,034,694	3,756,5
r data:							
DA(6)	$ 278,035	$ 362,302	$ 1,394,770	$ 1,172,406	$ 909,338	$ 945,853	$ 784,2
al nditures	135,898	74,928	429,898	630,670	1,029,530	1,009,942	2,064,2

(1) Interest expense is net of capitalized interest of $7.1 million, $3.0 million, $17.7 million, $7.2 million, $15.9 million, $23.4 million and $37.0 million for the three months ended March 31, 2006 and 2005, and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, respectively.

(2) In accordance with cruise industry practice, total capacity is calculated based on two guests per cabin even though many cabins accommodate three or more guests. A percentage in excess of 100% indicates that more than two guests occupied some cabins.

(3) Represents double occupancy per cabin multiplied by the ratio of actual operating days to total days during the period.

(4) Represents the number of guests carried multiplied by the number of days of their respective cruises.

(5) Represents double occupancy per cabin multiplied by the number of cruise days for the period.

(6) EBITDA represents net income before interest expense (net of interest income), taxes and depreciation and amortization. EBITDA is a non-GAAP measure and should not be considered an alternative to any other measure of performance under generally accepted accounting principles. We present EBITDA because management believes that EBITDA would be useful for investors in assessing our operating performance and our performance relative to our financial obligations.

Table of Contents

Additionally, EBITDA is a measure commonly used by financial analysts because of its usefulness in evaluating operating performance. The following table reconciles EBITDA to net income for the periods presented:

	Three Months Ended March 31,		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(Dollars in thousands)						
Net income(a)	$ 119,499	$ 189,609	$ 715,956	$ 474,691	$ 280,664	$ 351,284	$ 254,457
Interest expense, net(b)	56,087	72,842	260,621	300,769	263,879	254,429	228,663
Taxes	290	89	16,124	2,810	2,100	1,040	
Depreciation and amortization	102,159	99,762	402,069	394,136	362,695	339,100	301,174
EBITDA(a)	$ 278,035	$ 362,302	$ 1,394,770	$ 1,172,406	$ 909,338	$ 945,853	$ 784,294

(a) Net income and EBITDA include $52.5 million of cumulative effect of a change in accounting principle for the three months ended March 31, 2005 and the year ended December 31, 2005.

(b) Interest expense, net is net of capitalized interest of $7.1 million, $3.0 million, $17.7 million, $7.2 million, $15.9 million, $23.4 million and $37.0 million for the three months ended March 31, 2006 and 2005, and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, respectively. Interest expense, net is also net of interest income of $1.6 million, $2.4 million, $9.1 million, $9.2 million, $4.5 million, $12.4 million, and $24.5 million for the three months ended March 31, 2006 and 2005, and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, respectively.

DESCRIPTION OF SENIOR NOTES

The following description of the particular terms of the Senior Notes offered hereby (referred to in the accompanying prospectus as the Debt Securities) supplements, and to the extent inconsistent therewith, replaces the description of the general terms and provisions of the Debt Securities set forth in the accompanying prospectus, to which description reference is hereby made. Certain defined terms in the Indenture, as supplemented by the Fourteenth Supplemental Indenture and the Fifteenth Supplemental Indenture, are capitalized herein. Whenever a defined term is referred to and not herein defined, the definition thereof is contained in the Indenture, as supplemented by the Fourteenth Supplemental Indenture and the Fifteenth Supplemental Indenture. As used in this Section, all references to the Indenture mean the Indenture as supplemented by the Fourteenth Supplemental Indenture and the Fifteenth Supplemental Indenture. As used under this caption Description of Senior Notes, all references to the Company refer to Royal Caribbean Cruises Ltd., and not to Royal Caribbean Cruises Ltd. and its subsidiaries.

General

Senior Notes in an aggregate principal amount of $700,000,000 will be offered hereby, including $ principal amount of % Senior Notes due 2013 and $ principal amount of % Senior Notes due 2016. Additional Senior Notes of the same classes and series may be issued in one or more tranches from time to time (the Additional Notes). All references herein to the Senior Notes include the Additional Notes. All of the Senior Notes will be issued under the Indenture. The % Senior Notes due 2013 will bear interest at the rate of % per annum and will mature on June 15, 2013. The % Senior Notes due 2016 will bear interest at the rate of % per annum and will mature on June 15, 2016. Interest on the principal amount of the Senior Notes will be payable semi-annually on December 15 and June 15 of each year, commencing December 15, 2006 to the persons in whose names such Senior Notes are registered at the close of business on December 1 or June 1, as the case may be, preceding such December 15 or June 15. The first payments of interest will be made in respect of the period commencing June , 2006.

Except in the event of a change in tax law as described in Description of Debt Securities Tax Related Considerations Redemption or Assumption of Debt Securities Under Certain Circumstances in the accompanying prospectus, the Senior Notes are not redeemable prior to maturity and do not have the benefit of a sinking fund.

The Senior Notes are subject to defeasance and covenant defeasance as described under Description of Debt Securities Defeasance in the accompanying prospectus.

Ranking

The Senior Notes will be unsecured and unsubordinated indebtedness and will rank on a parity with our other unsecured and unsubordinated indebtedness. The Senior Notes will not be guaranteed by any of our subsidiaries and, accordingly, the Senior Notes will be effectively subordinated to the claims of our subsidiaries creditors, including trade creditors. The Senior Notes do not limit the ability of our subsidiaries to incur or guarantee indebtedness other than Secured Debt as described under Restrictions on Secured Debt. As of March 31, 2006, our subsidiaries had indebtedness of $291.1 million (excluding operating leases and intercompany indebtedness).

The Senior Notes will not be secured by any of our assets. The Company and its subsidiaries may incur secured debt subject to the restrictions described under Restrictions on Secured Debt. As of March 31, 2006, we had outstanding secured debt of $279.3 million (which does not include capital leases). Holders of secured debt would have claims on the assets securing such indebtedness prior to the holder of the Senior Notes.

The Senior Notes will be issued only in fully registered book-entry form, without coupons, in denominations of $1,000 and any integral multiples thereof. No service charge will be made for any transfer or exchange of the Senior Notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Senior Notes will be represented by a Global Security registered in the name of a nominee of DTC. Except as set forth under Book-Entry System for Senior Notes below, the Senior Notes will not be issued in certificated form.

Restricted and Unrestricted Subsidiaries

The various restrictive provisions of the Indenture applicable to the Company and its Restricted Subsidiaries do not apply to Unrestricted Subsidiaries. The assets and liabilities of Unrestricted Subsidiaries, and investments by the Company in any Unrestricted Subsidiary, are not consolidated with those of the Company and its Subsidiaries in calculating Consolidated Net Tangible Assets (as defined below) under the Indenture. Unrestricted Subsidiaries are those Subsidiaries which are designated as Unrestricted Subsidiaries by the board of directors from time to time pursuant to the Indenture and Subsidiaries of Unrestricted Subsidiaries. Restricted Subsidiary means any Subsidiary which owns or leases a Principal Property and any other Subsidiary which has not been designated an Unrestricted Subsidiary. Principal Property means any real or personal property owned or leased by the Company or any Subsidiary the net book value of which on the date as of which the determination is being made exceeds 5% of the Company s Consolidated Net Tangible Assets.

Maintenance of Properties

The Company will cause all material properties owned by the Company or any Restricted Subsidiary or used or held for use in the conduct of its business or the business of any Restricted Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment (except for ordinary wear and tear) and will cause to be made all necessary repairs, renewals and replacements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; *provided, however,* that nothing in this covenant shall prevent the Company or any Restricted Subsidiary from discontinuing the operation or maintenance of any properties if such discontinuation is, in the judgment of the Company, desirable in the conduct of its business or the business of any Restricted Subsidiary and not disadvantageous in any material respect to the holders of the Senior Notes.

Restrictions on Secured Debt

Neither the Company nor any Restricted Subsidiary is permitted to create, issue, incur, assume or guarantee any Secured Debt (as defined below) without equally and ratably securing the Senior Notes. This restriction does not apply to certain permitted encumbrances including indebtedness for money borrowed secured by (a) Mortgages existing on the date the Senior Notes are issued; (b) Mortgages on any real or personal property of any Person existing at the time such Person became a Restricted Subsidiary and not incurred in contemplation of such Person becoming a Restricted Subsidiary; (c) Mortgages in favor of the Company or any Restricted Subsidiary; (d) Mortgages existing on any real or personal property at the time it is acquired by the Company or a Restricted Subsidiary or created within 18 months of the date of such acquisition, conditional sale and similar agreements; (e) certain purchase money Mortgages to secure the purchase price or construction cost of property; and (f) any extension, renewal or refunding (or successive extensions, renewals or refundings) of any Mortgage referred to in the foregoing clauses; *provided* the principal amount of such extension, renewal or refunding may not exceed the principal amount of the Mortgage being extended, renewed or refunded plus the amount of any premium or other costs paid in connection with such extension, renewal or refunding. In addition to such permitted indebtedness, the Indenture permits additional Secured Debt not otherwise specifically permitted, the aggregate principal amount of which, together with all Attributable Debt in respect of sale and leaseback transactions (as defined below) involving Principal Properties entered into (excluding sale and leaseback transactions permitted by clause (a) below under the section entitled Restrictions on Sales and Leasebacks as a result of the permitted encumbrances set forth above and clause (b) of such section) would not exceed 10% of the Consolidated Net Tangible Assets of the Company and its consolidated Restricted Subsidiaries.

Consolidated Net Tangible Assets means (a) the total amount of assets (less applicable reserves and other properly deductible items) which under accounting principles generally accepted in the United States would be included on a consolidated balance sheet of the Company and its Restricted Subsidiaries after deducting therefrom, without duplication, the sum of (i) all current liabilities except for (A) notes and loans payable, (B) current maturities of long term debt, (C) current maturities of obligations under capital leases and (D) customer deposits and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, which in each case under generally accepted accounting principles would be included on such consolidated balance sheet, less (b) the amount which would be so included on such consolidated balance sheet for investments (less applicable reserves) (i) in Unrestricted Subsidiaries or (ii) in corporations while they were Unrestricted Subsidiaries but which at the time of computation are not Subsidiaries of the Company.

Mortgage means and includes any mortgage, pledge, lien, security interest, conditional sale or other title retention agreement or other similar encumbrance.

Secured Debt means indebtedness for money borrowed which is secured by a Mortgage on a Principal Property of the Company or any Restricted Subsidiary.

Restrictions on Sales and Leasebacks

Neither the Company nor any Restricted Subsidiary may enter into any sale and leaseback transaction involving any Principal Property (a sale and leaseback transaction), unless (a) the Company or such Restricted Subsidiary would be entitled under Restrictions on Secured Debt to incur Secured Debt on the Principal Property in a principal amount equal to the Attributable Debt with respect to the sale and leaseback transaction without equally and ratably securing the Senior Notes under the Indenture or (b)(i) the gross proceeds of the sale or transfer of the Principal Property leased equals or exceeds the fair market value of such Principal Property and (ii) within one year after such sale or transfer of such Principal Property shall have been made by the Company or by a Restricted Subsidiary, the Company applies all of the net proceeds to (A) the voluntary retirement of Funded Debt of the Company or any Restricted Subsidiary or (B) the acquisition by the Company or a Restricted Subsidiary of one or more properties which on an aggregate basis have a purchase price in excess of 5% of Consolidated Net Tangible Assets (other than the Principal Property involved in such sale). A sale and leaseback transaction shall not include any sale and leaseback transactions (x) between the Company and a Restricted Subsidiary or between Restricted Subsidiaries or (y) involving the temporary taking back of a lease for a period, including renewals, of less than three years in the case where it is intended that at the end of the lease the use of such property by the Company or such Restricted Subsidiary will be discontinued.

Funded Debt means any indebtedness for money borrowed, created, issued, incurred, assumed or guaranteed, whether secured or unsecured, maturing more than one year after the date of determination thereof and any indebtedness, regardless of its terms, renewable pursuant to the terms thereof or of a revolving credit or similar agreement effective for more than 360 days after the date of the creation of indebtedness.

Book-Entry System for the Senior Notes

Upon issuance, the Senior Notes will each be represented by a global security or securities (each a Global Security). Each Global Security will be deposited with, or on behalf of, DTC (the Depositary). Upon the issuance of any such Global Security, the Depositary or its nominee will credit the accounts of persons held with it with the respective principal or face amounts of the Senior Notes represented by any such Global Security. Ownership of beneficial interests in any such Global Security will be limited to persons that have accounts with the Depositary (participants) or persons that may hold interests through participants. Ownership of beneficial interests by participants in any such Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depositary. Ownership of beneficial interests in any such Global Security by persons that hold through participants will be shown on, and the transfer of that ownership interest within such participant will be effected only through, records maintained by such participant. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to acquire or transfer beneficial interests in any such Global Security.

Payment of principal of and interest on the Senior Notes will be made to the Depositary or its nominee, as the case may be, as the sole registered owner and holder of any Global Security for such series for all purposes under the Indenture. Neither the Company, the trustee nor any agent of the Company or the trustee will have any responsibility or liability for any aspect of the Depositary s records relating to or payments made on account of beneficial ownership interests in any such Global Security or for maintaining, supervising or reviewing any of the Depositary s records relating to such beneficial ownership interests.

The Company has been advised by the Depositary that upon receipt of any payment of principal of or interest on any Global Security, the Depositary will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal or face amount of such Global Security as shown on the records of the Depositary. Payments by participants to owners of beneficial interests in such Global Security held through such participants will be governed by standing instructions and customary practices as is now the case with securities held for customer accounts registered in street name and will be the sole responsibility of such participants.

No Global Security may be transferred except as a whole by the Depositary to a nominee of the Depositary. Each Global Security is exchangeable for certificated Senior Notes only if (x) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time the Depositary ceases to be a clearing agency registered under the Exchange Act and the Company fails within 90 days thereafter to appoint a successor, (y) the Company in its sole discretion determines that such Global Security shall be exchangeable or (z) there shall have occurred and be continuing an Event of Default (as defined in the Indenture) or an event which with the giving of notice or lapse of time or both, would constitute an Event of Default with respect to the Senior Notes represented by such Global Security. In such event, the Company will issue Senior Notes in certificated form in exchange for such Global Security. In any such instance, an owner of a beneficial interest in either Global Security will be entitled to physical delivery in certificated form of Senior Notes equal in principal amount to such beneficial interest and to have such Senior Notes registered in its name. Senior Notes so issued in certificated form will be issued in denominations of $1,000 or any larger amount that is an integral multiple thereof, and will be issued in registered form only, without coupons. Subject to the foregoing, no Global Security is exchangeable, except for a Global Security for the same series of Senior Notes of like denomination to be registered in the name of the Depositary or its nominee.

So long as the Depositary, or its nominee, is the registered owner of a Global Security, such Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Senior Notes represented by such Global Security for the purposes of receiving payment on such Senior Notes, receiving notices and for all other purposes under the Indenture and such Senior Notes. Beneficial interests in the Senior Notes will be evidenced only by, and transfer thereof will be effected only through, records maintained by the Depositary and its participants. Except as provided herein, owners of beneficial interests in any Global Security will not be entitled to and will not be considered the holders thereof for any purposes under the Indenture. Accordingly, each person

Table of Contents

owning a beneficial interest in such Global Security must rely on the procedures of the Depositary, and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a Holder under the Indenture. The Depositary will not consent or vote with respect to the Global Security representing the Senior Notes. Under its usual procedures, the Depositary mails an Omnibus Proxy to the Company as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co. s (the Depositary s partnership nominee) consenting or voting rights to those participants to whose accounts the Senior Notes are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).